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TAGS: ENRG ECON KNNP BEXP EG  
SUBJECT: SPECIAL ENVOY WOLCOTT DELEGATION, GOE OFFICIALS  
DISCUSS CIVILIAN NUCLEAR POWER

REF: A. CAIRO 574  
    1B. CAIRO 190

Classified By: DCM Stuart Jones for reason 1.4 (b).

¶1. (C) Summary and comment: Ambassador Jackie Wolcott, Special Envoy for Nuclear Nonproliferation, led an interagency delegation to Cairo June 8-9 to discuss civilian nuclear energy cooperation with current and former Electricity Ministry and Atomic Energy Authority officials, the MFA, and PGESCo Corporation, Bechtel's Egyptian partner which is bidding on the consultant contract for developing Egypt's nuclear power program. Ambassador Wolcott stressed that the U.S. wants to partner with Egypt to develop civilian nuclear energy with the highest safety and security standards, and advocated on behalf of Bechtel for the consulting contract. The delegation proposed cooperation with the Electricity Ministry on feasibility studies, infrastructure and human resources development, assistance with effective and efficient IAEA safeguards implementation, and regulatory framework development. Former Minister Al-Saidi said that Egypt needs human resources expertise from the U.S. for its program. He cautioned the delegation to be careful about NPT and safeguards-related political sensitivities when discussing nuclear power. Both Al-Saidi and Nuclear Power Plant Authority Chairman Ibrahim suggested forming a working group to hold technical, expert-level talks. MFA officials recommended separating technical issues from political sensitivities, and suggested they would be the best interlocutors for the U.S. We believe the technical experts at the Electricity Ministry will be the most appropriate contacts for follow-up talks. End summary and comment.

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Former Electricity and Energy Minister Al-Saidi  
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¶2. (U) Ambassador Wolcott told former Minister of Electricity and Energy and current chair of the ruling National Democratic Party (NDP) Energy Committee Dr. Ali Al-Saidi that the U.S. wants to reinvigorate its nuclear energy cooperation with Egypt. She said the U.S. is interested in a partnership with Egypt to develop nuclear energy in a safe, secure, and non-proliferating fashion, building on previous bilateral agreements. The Ambassador noted that she was appointed to implement the 2007 Bush-Putin Joint Declaration on Nuclear Energy and Nonproliferation. Al-Saidi said that the NDP Energy Committee has assembled a team of technical experts to implement President Mubarak's vision of a civilian nuclear industry.

¶3. (U) Al-Saidi reviewed the history of Egypt's nuclear energy program in the 1980's and its suspension after the 1986 Chernobyl accident. He said that after the program's suspension, Egypt had not maintained its infrastructure and human resources capabilities. Many Egyptian scientists had emigrated, including to the United States. From the 1980's

to the present, Al-Saidi noted that Egypt had reached cooperation agreements with all suppliers, including France, the U.S., Germany, Canada, Australia, Niger, the UK, Argentina, Brazil, South Korea, and most recently, Russia. In 2006, he continued, when Egypt realized that its natural gas reserves were not sufficient to keep up with demand, President Mubarak launched a national energy strategy. One component of this strategy calls for a more diverse energy mix, including renewable sources and nuclear power, with a first nuclear power plant (NPP) coming online around 2017, which the GOE plans to expand to about 4000 MW by 2022. Since 2006, the GOE has worked with the IAEA on a feasibility study, "refurbished" a site survey for nuclear plants, and begun a human resources development program, including a management team and a safety group. In addition, Al-Saidi noted that a "nuclear law" was now under consideration to govern the management of nuclear and radioactive materials.

¶4. (C) Al-Saidi said that Egypt could benefit most from other countries, including the U.S., in two areas: human resource development (Egypt's "first priority") and international nuclear energy and fuel partnerships. He also noted the importance of assurance of supply, for both nuclear fuel and reactors. Since nuclear power is a long-term commitment, there is a need for sustainable, long-term relationships, he said. Al-Saidi asserted that this fact is especially important given the non-standardization issues related to nuclear power, noting that one "can't buy Westinghouse fuel from Russia." Regarding international partnerships, Al-Saidi characterized the Global Nuclear Energy Partnership (GNEP) as a worthwhile program "for the future," but said there needed to be an international arrangement "for today." He expressed

CAIRO 00001307 002 OF 004

his view that when GNEP was first put forward, it suffered from the "problem" that partnership was conditioned on forgoing the right to pursue enrichment and reprocessing (ENR). Now, he noted, opting not to pursue ENR technologies was not a prerequisite, but an inherent component, which he considered a "better approach." He characterized GNEP as a long-term, U.S. initiative focused on new proliferation-resistant fuels and spent nuclear fuel (SNF) management, while noting that the "Russian initiative" of a nuclear fuel bank is designed for today's needs. (Comment: Though generally very well informed, Al-Saidi seemed unaware of Russia's participation in GNEP or of U.S. plans for a nuclear fuel reserve. End comment.)

¶5. (C) After Wolcott explained the objective of the Joint Declaration, namely the provision of diverse assistance measures to promote the responsible expansion of nuclear energy in the near term, ISN/NESS Deputy Director Alex Burkart briefly outlined the types of cooperation that various USG agencies can provide, noting that the Nuclear Regulatory Commission (NRC) and the National Nuclear Security Administration (NNSA) already had relationships with their Egyptian counterparts that could be reinvigorated. In response, Al-Saidi expressed interest in "translating the framework into practical steps" and commented on the importance of a "first case." He added that the U.S. and Egypt need to work together closely and transparently to manage the sensitive political questions concerning nonproliferation and Israel's nuclear program. He noted that close bilateral coordination would be necessary to prepare the Egyptian public to accept a U.S.-Egyptian nuclear energy partnership.

¶6. (C) Al-Saidi closed the meeting by offering his advice on how to facilitate civil nuclear cooperation. First, he recommended that the U.S. not urge Egypt to forgo enriching uranium or to sign the IAEA Additional Protocol. If Egypt sees "good U.S. intentions" through the course of cooperation, nonproliferation aspects will "naturally" be resolved, he said. Noting that the U.S. and Egypt already have standing agreements that could be revived, Al-Saidi suggested that we move forward by building a "joint team"

charged with an "action plan." He also noted the importance of language and clear communication, cautioning that since "those in the driver's seat have neither a technical background nor strong (English) language skills," we must work hard to avoid misunderstandings. One possible solution would be to "enrich" the joint team with "old timers" on the Egyptian side that had studied in the U.S. and Egyptian scientists and engineers that had emigrated to the United States.

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Electricity Ministry and Atomic Energy Authority Officials  
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¶7. (C) Ambassador Wolcott's delegation also held an expanded meeting with Atomic Energy Authority Chairman Dr. Aly Islam, Nuclear Power Plant Authority Chairman Dr. Yassien Ibrahim, Electricity Ministry U/S Mohammed Omran, Electricity Ministry Advisor Saiyed El-Bahi and others. U/S Omran and other Egyptian officials outlined the history of Egypt's engagement with civilian nuclear energy, covering the 1986 suspension, the 2006 national energy plan, President Mubarak's October 2007 announcement regarding nuclear power, and the 2008 bid invitation for consulting services for Egypt's first nuclear power plant. In terms of current activities, the Egyptian side noted efforts to reform the legislative, organizational, financing, and human resource basis of its nuclear energy program. Burkart noted that Egypt is now at Milestone 2 with respect to the IAEA "Milestones" document, and emphasized that existing regulatory and "sister lab" agreements between the U.S. and Egypt could be reinvigorated to form the basis of renewed cooperation. He then briefly outlined the types of cooperation the various USG agencies could engage in, noting that the U.S. is the largest contributor to the IAEA and the IAEA Technical Cooperation program, and that the U.S. would be glad to partner with Egyptian counterparts within the context of the IAEA. USG representatives from the Department of Energy, the Nuclear Regulatory Commission, and the National Nuclear Security Administration then explained in detail the types of cooperation possible with their respective agencies, both bilaterally and through GNEP.

¶8. (C) Burkart also encouraged the GOE to ratify four nuclear conventions in order to codify best practices: the Nuclear Safety Convention, the Joint Convention on the Safety of Spent Fuel Management and the Safety of Waste Management, the Convention on the Physical Protection of Nuclear Material and its amendments, and the Convention on Supplementary

CAIRO 00001307 003 OF 004

Compensation. Nuclear Power Plant Authority Chairman Ibrahim said that the draft nuclear energy regulatory law, which will be sent to parliament in the fall of 2008, includes provisions on human resource development and infrastructure construction. He added that the GOE will choose a company for the nuclear energy consulting services contract in the next 3-4 months, and the winner will be tasked with choosing a reactor type and advising on long-term fuel supply and financing options. Ambassador Wolcott advocated on behalf of Bechtel for the consulting contract.

¶9. (C) Wolcott explained that the Bush-Putin Joint Declaration, which she has been tasked to implement, envisions a framework under which all supplier states could provide support in promotion of the safe, secure, transparent, and responsible expansion of nuclear energy. She stressed that, although the U.S. doesn't want to see the proliferation of sensitive fuel cycle technologies, and is encouraging Egypt to carefully consider adopting international safety and security conventions, the U.S. is placing no conditions on enhancing cooperation. She noted that the U.S. has "lots to offer" and is interested in "beginning an ongoing conversation." In response, Dr. Ali Islam noted that Egypt is currently undergoing a period of serious reevaluation of many facets of its nuclear energy sector. Noting that the U.S. and Egypt have a "long history

of cooperation," Ibrahim suggested that the two sides form a "working group" to form a "solid basis" of cooperation. He said that he hoped such technical, working-level discussions would yield tangible results, and proposed that each side write down its objectives and priorities to facilitate the establishment of a working group. The delegation agreed to his proposal.

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MFA Assistant Minister Naela Gabr  
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¶10. (C) In a separate meeting, Ambassador Wolcott informed MFA Assistant Minister Gabr, her Chief of Staff Khalid Shama, and MFA Disarmament Director Aly Sirry that the U.S. is interested in reinvigorating its civil nuclear cooperation with Egypt to promote the safe, secure, and responsible development of nuclear energy. Gabr responded that when Egypt began reconsidering nuclear energy, she had been pleased to discover cooperation agreements with several countries already in place, including the 123 Agreement with the United States. She informed Ambassador Wolcott that the draft law on nuclear energy regulation would form the basis of Egypt's international cooperation on nuclear energy. She said there would be no contradiction between cooperation within an IAEA framework and cooperation through bilateral partnerships though she stressed that Egypt would prefer to start within a multilateral framework. MFA Disarmament Director Aly Sirry stressed that the MFA deals with the political, not the technical, aspects of nuclear energy cooperation. He said that Egypt and the U.S. could achieve progress on nuclear energy cooperation if technical issues (e.g., safety and security) were separated from politically sensitive issues.

¶11. (C) A/Minister Gabr said that she appreciated Wolcott's focus on technical cooperation to develop high nuclear safety and security standards, as opposed to additional nonproliferation conditions. Although she initially stated that it would be difficult for Egypt to adopt any new nuclear conventions due to sensitivities from the public and parliament that the GOE would be bowing to U.S. pressure, she later added that these would be considered as long as the focus was strictly technical. She said the MFA would be interested in more extensive discussions to understand what specific proposals the U.S. is offering, and she asked Wolcott to provide a list of what the U.S. can easily provide to form the basis of discussion. "It is easier to discuss with my people" than with the Electricity Ministry, she said, asserting that the MFA understands what technical assistance the IAEA can provide. She also made it clear that Egypt was seeking assistance from other countries and left the impression that Egypt planned to play one supplier off against another in order to get the "best deal." (Comment: We believe that while it will be useful to keep the MFA apprised of our engagement, the most appropriate contacts for follow-up talks will be the technical experts in the Electricity Ministry. End comment.)

¶12. (C) Disarmament Director Sirry expressed concern over the term "responsible" with regard to the expansion of nuclear energy, in particular, asking if enrichment was "irresponsible." In response, Wolcott explained that this was an all-encompassing term to reflect international best

CAIRO 00001307 004 OF 004

practices. She acknowledged that one U.S. objective was to increase access to nuclear energy without the need for developing the full fuel cycle. Burkart added that the U.S. was not seeking to prevent states from enriching, but plans to provide economic and political incentives to dissuade countries from enrichment. Wolcott noted that Saudi Arabia, Bahrain and the UAE had voluntarily committed not to pursue indigenous fuel cycles in Memoranda of Understanding signed with the U.S. Shama responded that the GOE does not want these commitments to constitute pre-conditions for Egypt.

Shama concluded that the most important issue is not terminology, but a positive end result, and he advised both sides to concentrate on how to establish practical areas of cooperation.

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PGESCO  
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¶13. (U) Wolcott also met with representatives of Power Generation Engineering and Services Company (PGESCO), a joint partnership of Bechtel Power Corporation, the Egyptian Ministry of Electricity and Energy, and the Commercial International Bank of Egypt. It is acting as the local partner for Bechtel's bid on consulting services for the Egyptian nuclear program. The company's General Manager, Asem El-Gawhary, is also Bechtel's Principal Vice President for Overseas Power. El-Gawhary described PGESCO's extensive energy projects in Egypt and throughout the region. He said there is a need to develop Egypt's infrastructure in order to launch a civilian nuclear energy industry, and that Bechtel has proposed a human resources training program to support its bid for the GOE consulting contract. He suggested that Egypt has the historical experience and technical expertise to be a model for U.S. nuclear energy cooperation in the region. Ambassador Wolcott stressed to El-Gawhary that the USG is advocating on Bechtel's behalf for the GOE consulting contract. In response to a question about the greatest obstacles to winning the bid, El-Gawhary expressed confidence that Bechtel would fare well in the technical evaluation, but conceded concern that the selection would be based on price only. Burkart advised El-Gawhary to emphasize Bechtel's role in the IAEA "Milestones" program to gain competitive advantage for the bid. PGESCO officials appeared very familiar with the document.

¶14. (U) Ambassador Wolcott cleared this message.  
SCOBAY